



General Assembly

Substitute Bill No. 6516

January Session, 2003

**AN ACT CONCERNING THE PRESERVATION OF FEDERALLY-
ASSISTED HOUSING.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2003*) As used in sections 1 to 4,
2 inclusive, of this act:

3 (1) "Development" means a rental housing development that
4 receives government assistance under any of the following federal
5 programs, including any property development held by the United
6 States Department of Housing and Urban Development which was
7 formerly insured under any of the following programs:

8 (A) New construction, substantial rehabilitation, moderate
9 rehabilitation, property disposition and loan management set-aside
10 programs or any other program providing project-based assistance
11 under Section 8 of the United States Housing Act of 1937, as from time
12 to time amended;

13 (B) The Below Market Interest Rate Program under Section 221(d)(3)
14 of the National Housing Act, 12 USC 1715l (d)(3), (5);

15 (C) Section 236 of the National Housing Act, 12 USC 1715z-1;

16 (D) Section 202 of the Housing Act of 1959, 12 USC 1701q;

17 (E) Programs for rent supplement assistance under Section 101 of

18 the Housing and Urban Development Act of 1965, 12 USC 1701s;

19 (F) Programs under Section 515 of the Housing Act of 1949, 42 USC
20 1485; or

21 (G) The Low Income Housing Tax Credit program, 26 USC 42.

22 (2) "HUD" means the United States Department of Housing and
23 Urban Development or the Federal Housing Administration, the
24 Farmers Home Administration or a local housing authority
25 administering a HUD program.

26 (3) "Nonprofit corporation" means a nonprofit corporation, other
27 than a tenant association, that has been designated by at least twenty-
28 five per cent of the tenants in the development for the purpose of
29 assisting in the purchase or acquisition of the development.

30 (4) "Owner" means an individual, partnership, corporation,
31 association, joint venture or business entity that is a party to a contract
32 with HUD providing for a mortgage, mortgage assistance, mortgage
33 insurance or rent subsidy; or any spouse, employee, agent, partner or
34 entity that receives or demands rent for the development.

35 (5) "Tenant" means a tenant, subtenant, lessee, sublessee or other
36 person entitled to possession, occupancy or benefits of a rental unit
37 within the development.

38 (6) "Tenant association" means an association, organization or other
39 entity that represents tenants in a development, including, but not
40 limited to, a nonprofit corporation or a cooperative.

41 (7) "Cooperative" shall have the same meaning as in subdivision (10)
42 of section 47-202 of the general statutes.

43 (8) "Lease extension and relocation assistance" means the extension
44 of the lease for and the payments to the tenant of any assisted unit in
45 the development.

46 (9) "Termination of subsidy for the development" means: (A) Any
47 sale, transfer of title, lease, prepayment of loan insured by HUD or
48 other action that would result in the cessation of the financial
49 assistance designed to make the rental unit affordable to low and
50 moderate income individuals; or (B) an owner's decision not to extend
51 or renew its participation in a federal subsidy program, either at or
52 prior to the scheduled date of the expiration of the contract or a
53 decision to terminate the rental restrictions for a development that may
54 result in an increase in tenant rent or a change in the form of the
55 subsidy from project-based to tenant-based.

56 Sec. 2. (NEW) (*Effective October 1, 2003*) (a) At least two years prior
57 to the date of intended termination of the subsidy for the development,
58 the owner shall provide written notice sent by first class mail or hand
59 delivered to the following persons or entities:

60 (1) Each tenant;

61 (2) Each tenant association;

62 (3) The chief executive officer of the municipality in which the
63 development is located;

64 (4) The executive director of any housing authority of the
65 municipality in which the development is located;

66 (5) The executive director of the Connecticut Housing Finance
67 Authority;

68 (6) The Commissioner of Economic and Community Development;
69 and

70 (7) The executive director of the Connecticut Housing Coalition.

71 (b) The notice shall be posted in a conspicuous common area of the
72 development accessible to the tenants.

73 (c) A copy of any notice required by this section shall be filed in the

74 land records of the municipality in which the development is located.

75 (d) The notice shall (1) inform the persons and entities described in
76 subsection (a) of this section that the owner intends to sell or otherwise
77 dispose of the development or terminate the subsidy or rental
78 restrictions for the development and that they have the right of first
79 refusal to purchase the property pursuant to sections 1 to 4, inclusive,
80 of this act, (2) inform the tenants of their right to lease extension and
81 relocation assistance if the subsidy for the development is terminated,
82 (3) identify the number of units that will no longer be subject to the
83 restrictions imposed by the federal program, and (4) include
84 information on the estimated rents that will be charged compared to
85 the rent charged under the federal program and the action the owner
86 will take to assist displaced tenants in obtaining other housing.

87 (e) Upon the request of a tenant association, the Department of
88 Economic and Community Development and the Connecticut Housing
89 Finance Authority shall assist said association in developing financing
90 for the purchase of the development.

91 (f) No termination of the subsidy for the development shall be valid
92 unless the notice required by this section is provided and filed in
93 accordance with this section.

94 Sec. 3. (NEW) (*Effective October 1, 2003*) (a) At least one year prior to
95 the date of intended termination of subsidy for the development, the
96 owner shall provide to each person and entity specified in subsection
97 (a) of section 2 of this act a written copy of a bona fide offer to sell sent
98 by first class mail or hand delivered and post a copy of the offer to sell
99 in a conspicuous place in the common areas of the development
100 accessible to tenants.

101 (b) An offer to sell made pursuant to this section shall include, but
102 not be limited to:

103 (1) The essential terms of the sale, which shall include, but not be
104 limited to, (A) the sale price, (B) the terms of seller financing, including

105 the amount, interest rate and amortization rate, (C) the terms of the
106 assumable financing, including the amount, interest rate and
107 amortization rate, and (D) any proposed improvements to the property
108 to be made by the owner in connection with the sale or other economic
109 concessions by the owner in connection with the sale.

110 (2) A statement that each of the following persons or entities has the
111 right to purchase the development for the purpose of preserving the
112 development as affordable housing according to the following order of
113 priorities: (A) A tenant association which represents not less than
114 twenty-five per cent of the tenants in the development, (B) a nonprofit
115 corporation which has been designated by not less than twenty-five
116 per cent of the tenants in the development for the purpose of assisting
117 in the purchase or acquisition of the development, (C) any other
118 nonprofit corporation, (D) the housing authority of the municipality in
119 which the development is located, (E) the municipality in which the
120 development is located, (F) the Connecticut Housing Finance
121 Authority, or (G) the Department of Economic and Community
122 Development.

123 (c) The interested person or entity shall notify the owner, in writing,
124 no later than two hundred forty days before the date of intended
125 termination of subsidy for the development of its intent to purchase
126 the development.

127 (d) After receiving a notice of the interested person's or entity's
128 intent to purchase, the owner shall comply with any reasonable
129 request to make documents available to the interested person or entity,
130 during normal business hours at the owner's principal place of
131 business no later than thirty days after the date the owner receives
132 such a request, including, but not limited to: (1) The floor plan of the
133 development; (2) an itemized list of monthly operating expenses; (3)
134 the capital expenditures in each of the two preceding calendar years
135 and deferred maintenance costs; (4) the amount of project reserves; (5)
136 utility consumption rates; (6) copies of financial and physical
137 inspection reports filed with federal, state or local agencies; (7) the

138 most recent rent rolls; (8) a list of tenants; (9) a list of vacant units; and
139 (10) a statement of the vacancy rate of the development for each of the
140 two preceding years.

141 (e) The interested person or entity shall, no later than one hundred
142 twenty days before the date of the intended termination of subsidy for
143 the development, provide the owner with a bona fide offer to purchase
144 evidenced by a purchase contract reflecting the sales price and any
145 terms agreed to by the parties or the sales price and terms determined
146 pursuant to the contract and a deposit equal to five per cent of the
147 amount of the bona fide offer to purchase.

148 (f) If the parties are unable to agree on a purchase price, the
149 interested person or entity shall have the right to purchase the
150 property:

151 (1) If the interested person or entity matches the essential provisions
152 of any existing bona fide offer to purchase the development made by
153 another potential purchaser which offer by such other purchaser the
154 owner is prepared to accept; or

155 (2) If there is no bona fide offer, at a purchase price to be established
156 by an appraiser chosen by the interested entity and the owner. If the
157 two cannot agree upon one appraiser, either party may notify the
158 Connecticut Housing Finance Authority and the other party, in
159 writing, of such disagreement. In such case, the interested person or
160 entity shall choose one appraiser and the owner shall choose one
161 appraiser and the two appraisers shall jointly choose a third appraiser.
162 The three appraisers shall establish a value for the development. If the
163 owner or the interested entity does not select an appraiser by the
164 fifteenth day after the date of the mailing of the notice of the
165 disagreement, the Connecticut Housing Finance Authority shall
166 choose an appraiser for the owner or the interested entity. The costs of
167 all appraisers shall be paid equally by the interested person or entity
168 and the owner.

169 (g) The interested person or entity shall agree to close the sale no

170 later than the date of the intended termination of subsidy for the
171 development.

172 (h) The tenant association or one or more tenants or the interested
173 person or entity may bring a civil action for injunctive relief against an
174 owner who has violated the provisions of sections 1 to 4, inclusive, of
175 this act. In such action, the court may award a civil penalty to each
176 tenant in the amount of five hundred dollars, in addition to reasonable
177 attorney's fees and costs incurred in bringing the action. This
178 subsection shall not limit any other rights or remedies available to
179 persons entitled to receive notice or to purchase under sections 1 to 4,
180 inclusive, of this act.

181 Sec. 4. (NEW) (*Effective October 1, 2003*) (a) The owner shall provide
182 no less than the lease extension and relocation assistance specified in
183 this section to all tenants in occupancy on the date that the notice of
184 intended termination of subsidy of the development is given pursuant
185 to section 2 of this act or who enter into occupancy after that date but
186 prior to the termination of subsidy for the development:

187 (1) Offer to each tenant a lease extension or extensions for a period
188 of at least one year from the date of the mailing of the notice of the
189 offer to sell or until the date of intended termination of subsidy for the
190 development, whichever is later. The amount of rent for which the
191 tenant shall be liable during such extended lease term shall not exceed
192 the amount required to be contributed to the tenant under the prior
193 lease pursuant to the federal program as of the day preceding the date
194 of the mailing of such notice. All the terms, conditions and procedures
195 governing the extended lease shall be the same as the lease in effect on
196 the day preceding the giving of notice of offer to sell.

197 (2) Pay each tenant the sum of two thousand dollars no later than
198 the date on which the tenant vacates the unit. Such payments shall not
199 be deemed to be income to the tenant.

200 (b) The rights and assistance provided by this section shall be in
201 addition to and not in place of any other rights or benefits which such

202 tenant may have under sections 1 to 4, inclusive, of this act or under
203 any other federal or state law.

This act shall take effect as follows:	
Section 1	<i>October 1, 2003</i>
Sec. 2	<i>October 1, 2003</i>
Sec. 3	<i>October 1, 2003</i>
Sec. 4	<i>October 1, 2003</i>

HSG *Joint Favorable Subst. C/R*

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